



State Agency Coordinating Committee

STATE AGENCY INTERNAL AUDIT FORUM

October 7, 2016

Agenda

- Introductions
- Approval of Minutes – August 12, 2016
- American Center for Government Auditing
- Committee Updates
- SAIAF Member Survey Results
- Open Comments
- Adjourn

Approval of Minutes



State Agency Coordinating Committee

American Center for Government Auditing



www.theiia.org/acga



The essential resource for Public Sector and Government Auditors

Mission

The mission of the American Center for Government Auditing is to advance the professional practice of auditing in the public sector by advocating its value through timely and relevant thought leadership, communication, collaboration, and education.

Advisory Board

- 10 Member Government Sector Advisory Board Composition:
 - 4 Federal Sector Members
 - 2 State Sector Members
 - 4 Local Sector Members

Benefits

- Industry News
- Guidance and Resources
- Networking Opportunities
- Thought Leadership and Research
- Training and Career Development

Free CPE Opportunities

- 22 FREE CPEs per year!
- Webinars (12 hours monthly member only, 10 Hours government focused)

Upcoming Webinar

- 12/14/16 – Performance Auditing
Achieving Measurable Results and
Accountability
(2 CPE'S)

Upcoming Events

Online Training

- 10/11/16 - CGAP 4-Part Review **(10 CPEs)**
- 11/1/16 – Fraud and Abuse: Auditor Roles and Responsibility **(6 CPE's)**
- 11/29/16 – Critical Thinking for Auditors **(8 CPE's)**

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International Professional Practices Framework (IPPF)[®]



2013
EDITION

- Definition of Internal Auditing
- Code of Ethics
- International Standards
- Position Papers
- Practice Advisories
- Practice Guides

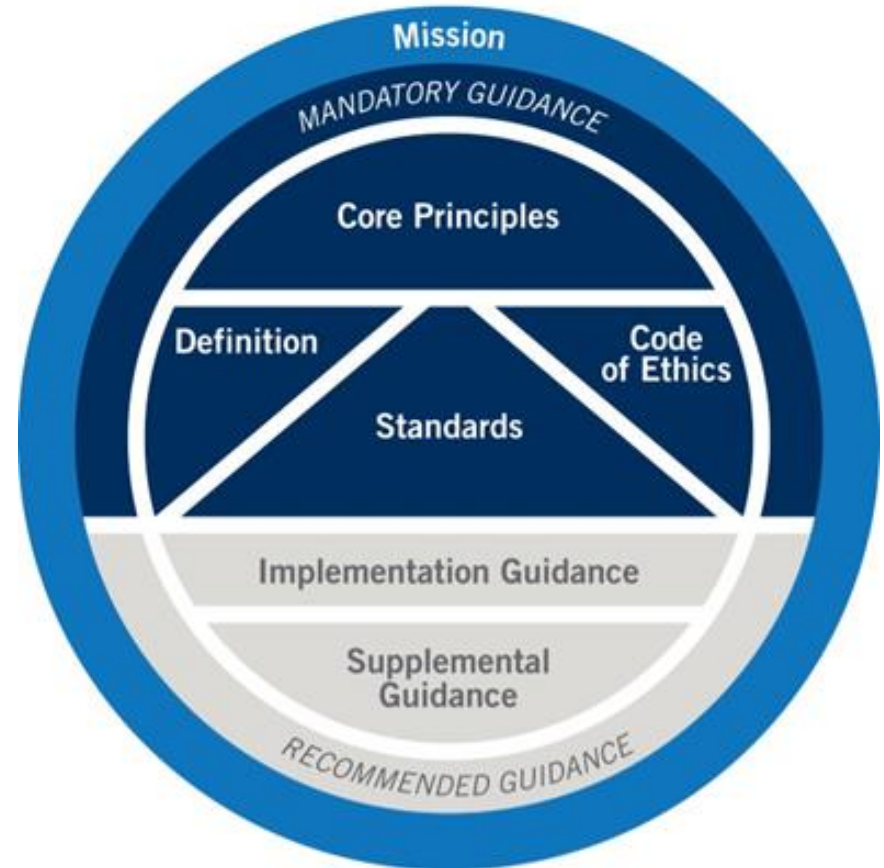
The New IPPF

Evolving to meet new challenges

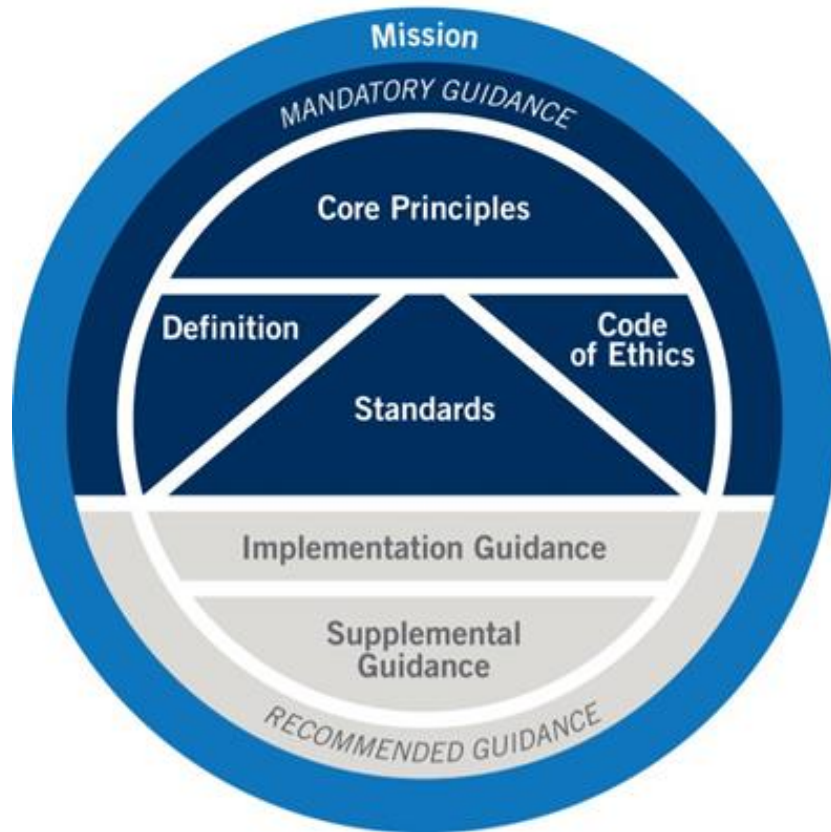
Reminder – the Previous IPPF



From the Previous IPPF ... To the New IPPF



International Professional Practices Framework



- Launched July 2015
 - Introduced Mission
 - Introduced 10 Core Principles
 - Practice Advisories to Implementation Guides

The Mission of Internal Audit

- First, the existing Definition of Internal Auditing ...

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”



The Mission of Internal Audit

The Definition is about what Internal Audit is and how it does it.

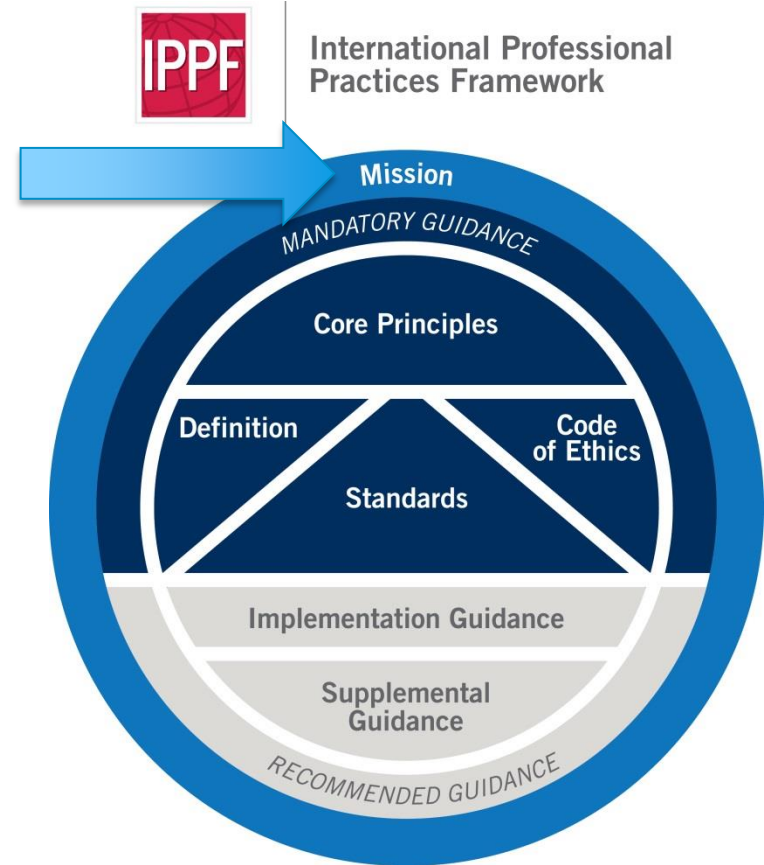
A Mission adds to the IPPF what Internal Audit aspires to achieve ...



The Mission of Internal Audit

The addition of a:
Mission of Internal Audit

“To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”



The 10 Core Principles

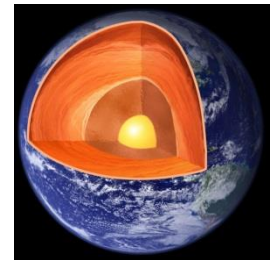
The Principles were added to articulate what Effective Internal Auditing looks like in practice



The 10 Core Principles

The Core Principles

- *Demonstrates integrity*
- *Demonstrates competence and due professional care*
- *Is objective and free from undue influence (independent)*
- *Aligns with the strategies, objectives and risks of the organization*
- *Is appropriately positioned and adequately resourced*
- *Demonstrates quality and continuous improvement*
- *Communicates effectively*
- *Provides risk-based assurance*
- *Is insightful, proactive, and future-focused*
- *Promotes organizational improvement*



2015 IPPF Implications

- Structure of the *Standards* is not changing
- External quality assessments are not required to include the Core Principles at this time
- IIA Standards Board (IASB) reviewed the Code of Ethics and *Standards* to assess whether the Core Principles are adequately represented

IIASB Assessment Results

- IIASB found general alignment between the Core Principles and the *Standards*
- No contradictions were found
- Re-wording certain standards would improve alignment
- No changes to the Code of Ethics are recommended at this time

IIASB Recommendations

- IIASB recommended certain changes to the *Standards* to better reflect the Core Principles
- Other changes to the *Standards* also being introduced



Standards Revision

- Last *Standards* revision took place in 2012 and became effective 2013
- *Standards* revision process includes a 90-day global exposure period
- The IASB publicly exposed all proposed changes to the *Standards* beginning February 1, 2016
- The exposure period closed April 30, 2016

Overview of Changes to the *Standards*

New standards to address:

- Chief audit executives taking on roles beyond internal auditing.
- Potentially objectivity-impairing situation of performing assurance engagement after previously consulting.

Overview of Changes to the *Standards*

Updates to existing standards to clarify requirements:

- Relationship between new Core Principles, such as “Is insightful, proactive and future-focused,” and the *Standards*.
- Quality assessment and improvement program.
- Communication between CAE, the board, and senior management.

Updates to Standards Glossary:

- Clarified definition of board and added definition of Core Principles.

Standards Exposure: Timeline

**90-day public exposure starts February 1, 2016
and ended April 30, 2016.**

Exposure draft available in several languages via online survey.

May—September, 2016

IIASB analyzes the comments, determines how to handle each, and approves the final revision of the *Standards*.

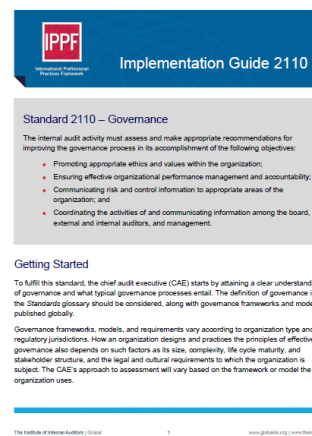
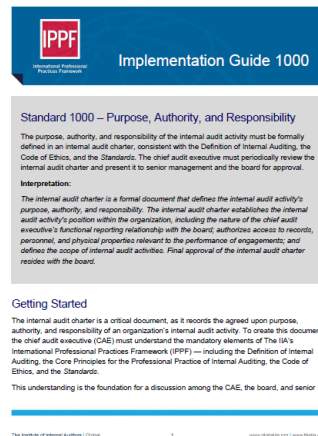
The IIA releases revised *Standards* **October 1, 2016.**

The revised *Standards* becomes effective **January 1, 2017.**

What's New and Why?

Implementation Guidance

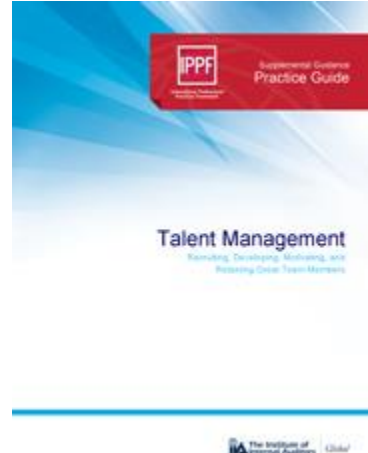
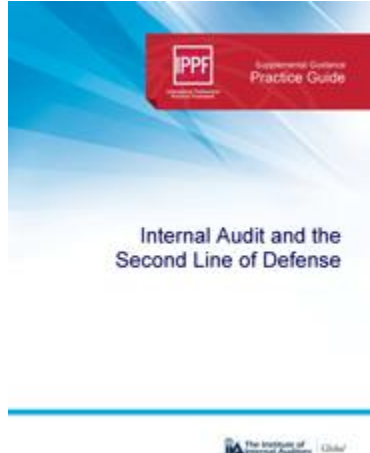
- *Two released July 2015*
 - *IG 1000 – Purpose, Authority and Responsibility*
 - *IG 2110 – Governance*



What's New and Why?

Supplemental Guidance

- *Newest releases:*
 - *Practice Guide: Second Line of Defense*
 - *Practice Guide: Talent Management*



Thank You!

Questions?

2017 IPPF

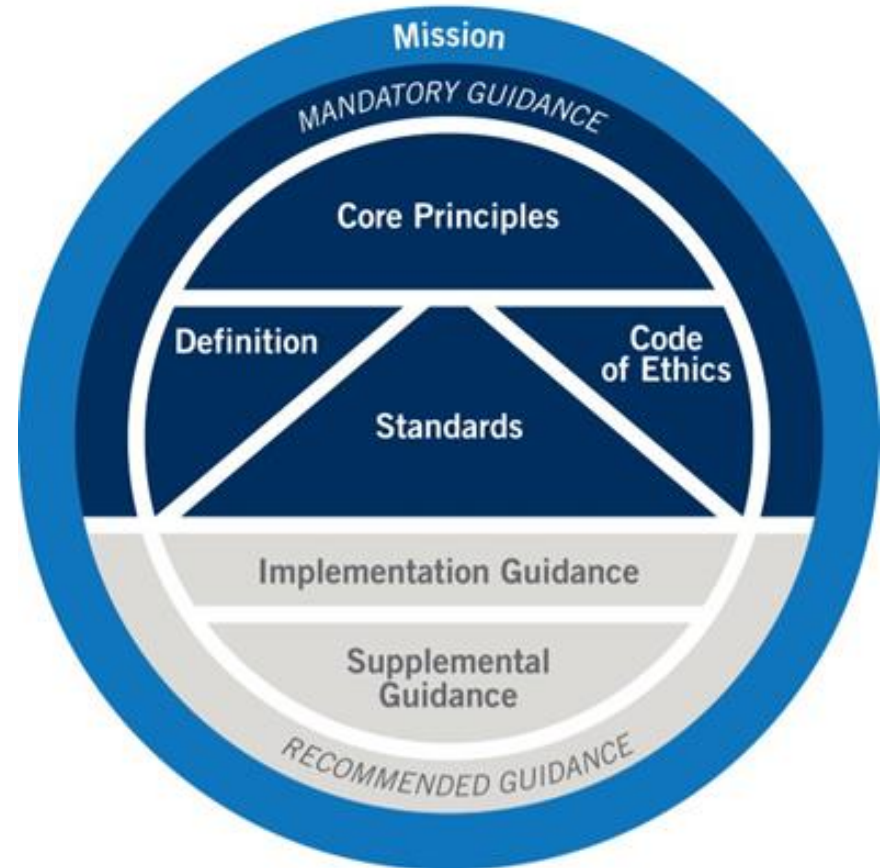
What you need to know now
about the revised *Standards*

Objectives

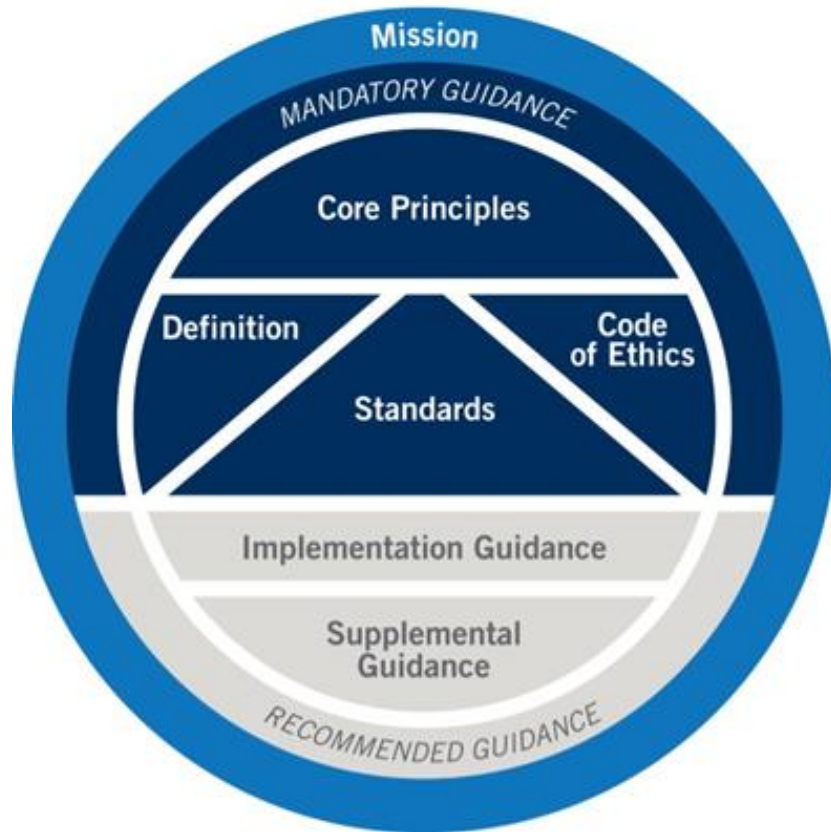
- Revised *Standards* Exposure results.
- Impact of key changes to the *Standards*.
- Next steps.
- Q&A.

Revised *Standards* Exposure Results

From the Previous IPPF ... To the New IPPF



International Professional Practices Framework



- Launched July 2015
 - Introduced Mission.
 - Introduced 10 Core Principles.
 - Implementation Guides.

Why Revise the *Standards*?

- Ongoing process—IPPF mandatory guidance reviewed at least once every three years.
 - Last revision to the *Standards* published in 2013.
 - To keep up with the demands of today's business environment.
 - CAEs being asked to accept other roles and responsibilities.
- New IPPF introduced in 2015.
 - Included new mandatory guidance, the Core Principles for the Professional Practice of Internal Auditing.
- IASB reviewed relationship between the *Standards* and the Core Principles.
 - Proposed changes better highlight the relationship.

Standards Exposure: Timeline

90-day public exposure started on February 1, 2016 and ended April 30, 2016.

Exposure draft was available in several languages via online survey.

May—September, 2016

IIASB evaluated survey results and comments, considered modifications to the exposure draft, and approved the final revision of the *Standards*.

The IIA released revised *Standards* **October 1, 2016.**

The revised *Standards* become effective **January 1, 2017.**

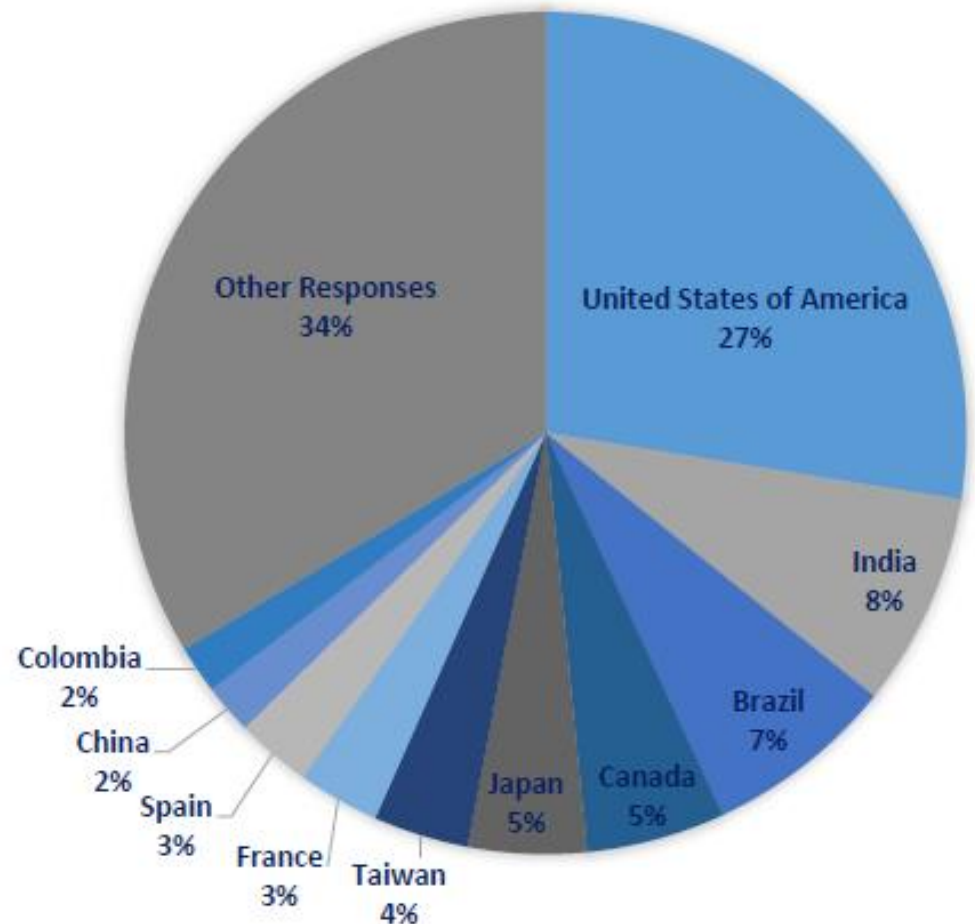
Global Exposure

- 16 languages.
- 3,000+ webinar attendees.
- 8,000+ AuditChannel.tv video views.
- 35,000+ unique web page visits.



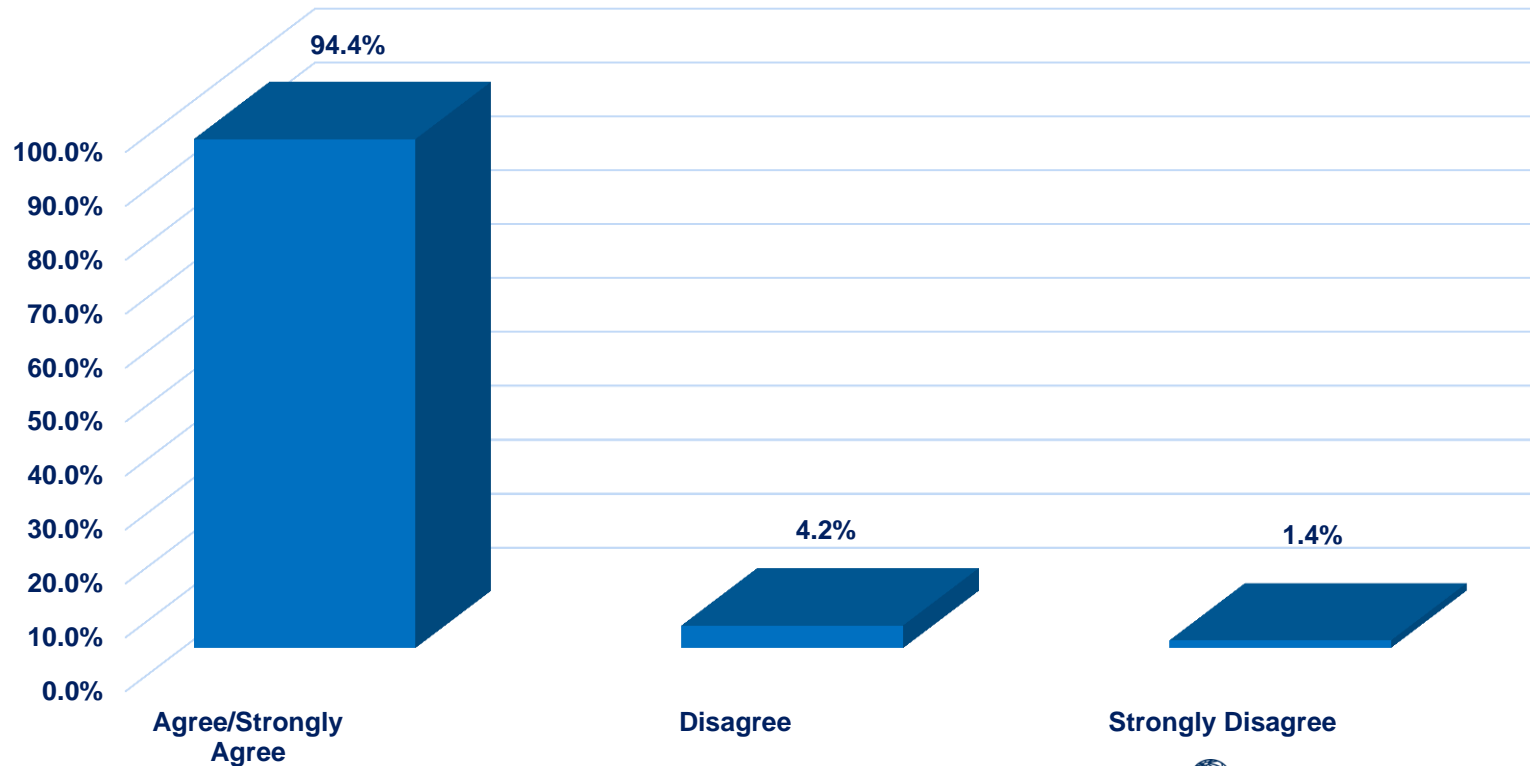
Global Response

- 1,144 survey responses.
- 76 institutes represented.



Overall Standards Exposure Results

Overwhelming agreement across 42 survey questions related to the revisions to the *Standards*



Key Changes to the *Standards*

Overview of Changes to the *Standards*

New standards to address:

- Chief audit executives taking on roles and responsibilities beyond internal auditing.
- Potential objectivity-impairing situation of performing assurance role after previous consulting role.

Updates to existing standards to clarify requirements:

- Relationship between new Core Principles, such as “Is insightful, proactive and future-focused,” and the *Standards*.
- Quality assessment and improvement program.
- Communications between CAE, the board, and senior management.
- Scope of EQA: must opine on conformance with *Standards* and Code.

Overview of Changes to the *Standards*

Updates to the Introduction to the *Standards*:

- Clarify that the *Standards*, together with the Code of Ethics, encompass mandatory elements.
- Conformance with the Code of Ethics and *Standards* demonstrates conformance with all mandatory elements.
- Modifications to enhance the flow and clarify the introduction

Updates to Standards Glossary:

- Added definition of Core Principles.
- Modified definition of Board.
- Modified definition of IPPF.
- Modified definition of CAE.

Standard 1000: Purpose, Authority, and Responsibility

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards*, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Standard 1112: CAE Roles Beyond Internal Auditing

Addition of new Standard 1112

1112 – Chief Audit Executive Roles Beyond Internal Auditing

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.

Interpretation:

The chief audit executive may be asked to take on additional roles and responsibilities outside of internal auditing, such as responsibility for compliance or risk management activities. These roles and responsibilities may impair, or appear to impair, the organizational independence of the internal audit activity or the individual objectivity of the internal auditor. Safeguards are those oversight activities, often undertaken by the board, to address these potential impairments, and may include such activities as periodically evaluating reporting lines and responsibilities and developing alternative processes to obtain assurance related to the areas of additional responsibility.

Standard 1130.A3

Addition of new implementation standard for assurance under 1130:

1130 – Impairment to Independence or Objectivity

1130.A3 The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

Standard 2010: Planning

Changes to the interpretation of Standard 2010:

2010 – Planning

The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

Interpretation:

To develop the risk-based plan, the chief audit executive consults with senior management and the board and obtains an understanding of the organization's strategies, key business objectives, associated risks, and risk management processes. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

Standard 2060: Reporting to Senior Management and the Board

2060 – Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the chief audit executive, senior management, and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board.

The chief audit executive's reporting and communication to senior management and the board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues.
- Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organization.

These and other chief audit executive communication requirements are referenced throughout the Standards.

Glossary Term: Board

Board

The highest level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organization's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organization. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an audit committee).

Next Steps

Next Steps: Future of the IPPF

Next Steps:

- Revised *Standards* Released October 1, 2016.
- Implementation Guides to be completed by December 2016.
- Revised *Standards* become effective January 1, 2017.
- Translations of 2017 *Standards* by January 1, 2017.
- New 2017 IPPF (Redbook) available 1Q 2017.
- New QA manual available 2Q 2017.
- Certifications: Exam Questions no earlier than July 1, 2017.

<https://global.theiia.org/standards-guidance/Pages/2016-Standards-Exposure.aspx>

Questions?

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Contact Information

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Committee Updates

Legislative Issues Committee

Co-Chairs

- Darrell Carter, Public Utility Commission
- Zoi Kondis, Department of Agriculture
- Cheryl Scott, Comptroller of Public Accounts

Objective

- To monitor proposed legislation that may directly or indirectly impact the Internal Audit function.

Deliverable

- Provide SAIAF members a monthly summary of pending legislation impacting the Internal Audit function.

Peer Review Committee

Chair

- Luis Solis, Texas Workforce Commission

Objective

- To provide SAIAF members with a peer review program to prepare for, conduct and report the results of a quality assessment review in accordance with Standards and guidance.

Deliverable

- Provide training to qualified, independent assessors to conduct peer reviews at member institutions.
- Update and maintain the peer review program.
- Maintain point balances and communicate them.
- Coordinate peer reviews actively.

Teammate Committee

Chair

- Nicole Kludt, Health and Human Services Commission

Objectives

- To provide a source of information and expertise related to the operation and maintenance of TeamMate by:
 - Staying current on new releases of TeamMate as well as any known issues
 - Reviewing TeamMate Connect for discussions from other users that may be relevant to SAIAF users
 - Serving as a resource for SAIAF members

Deliverable

- Training/Presentations (e.g. TeamMate Analytics)

Internal Audit Leadership Development

Chair

- Catherine Melvin, Department of Public Safety

Objective

- To promote and develop the future leaders of the Texas state government internal auditing community. The IALDP is specifically designed to develop and prepare future Texas state government Chief Audit Executives (CAEs).

Deliverables

- Curriculum-based program with help from SAIAF leaders/volunteers
- Role-play/simulation-based exercises
- Continuing Professional Education

Information Technology Committee - **NEW**

Chair

- Sandra Menjivar-Suddeath, Department of Motor Vehicles

Objective

- To help state internal audit functions create, identify, and retain quality IT auditors and help mitigate risks by increasing awareness of IT risks by:
 - Improving the IT audit function
 - Increasing visibility and understanding of emerging and high IT risks areas
 - Identifying IT technologies that can help audit functions gain efficiencies

Planned Deliverables

- IT Training
- IT Annual Audit Plan Risk Methodology
- IT Auditor Development



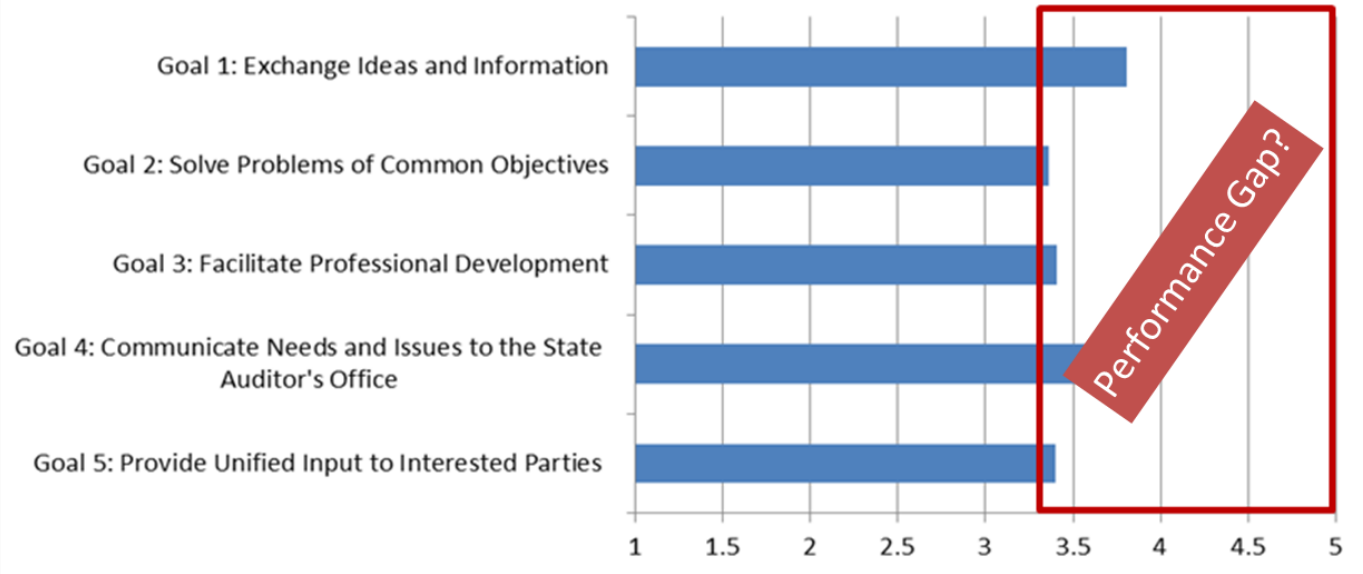
SAIAF Member Survey Results

SAIAF Member Survey – Summary Results

Survey Highlights

Sent 39
Received 27
Participation 69%

Goal Attainment

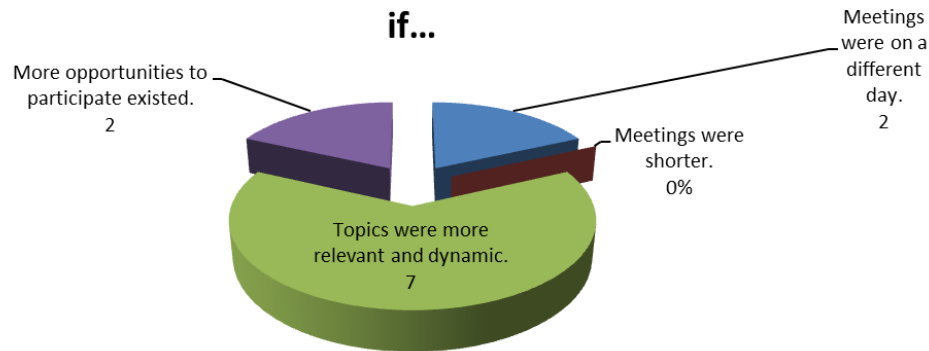


Discussion Points

- | | |
|-----------------------------|------------------------------------|
| • Need to revisit goals? | • Need to assign ownership? |
| • Need to prioritize goals? | • Need to measure more frequently? |
| Other? | |

SAIAF Member Survey – Summary Results

My level of participation in SAIAF would increase if...



Action	Perceived Need (H, M, L)	Level of Effort (H, M, L)	Owner(s)
Topics	H	H	B. Ybarra
Opportunities	L	M	Committees
Meeting Day	L	L	ALL

Input/Thoughts?

If the following Committees were created, I would be interested in participating

- Higher Education 2
- Information Technology 6

Good News

- IT Committee Established – led by Sandra Menjivar-Suddeath
- Opportunity for Higher Education Committee ownership and growth

Open Comments

Motion to Adjourn